



General Assembly

February Session, 2002

Raised Bill No. 5585

LCO No. 1752

Referred to Committee on Planning and Development

Introduced by:
(PD)

AN ACT ESTABLISHING INCENTIVES TO STABILIZE DISTRESSED NEIGHBORHOODS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2002*) (a) Any municipality that
2 has an enterprise zone may designate, with the approval of the
3 Commissioner of Economic and Community Development a
4 neighborhood within such enterprise zone as a distressed
5 neighborhood.

6 (b) Each municipality seeking the approval of the Commissioner of
7 Economic and Community Development for the designation of an area
8 of the municipality as a distressed neighborhood shall file with the
9 commissioner a preliminary application. Not later than sixty days after
10 receipt of such a preliminary application, the commissioner shall
11 indicate to the municipality, in writing, any recommendations for
12 improving the municipality's application. Not later than sixty days
13 after receipt of the commissioner's written response, the municipality
14 shall file a final application with the commissioner.

15 (c) The Department of Economic and Community Development

16 shall compile information on activities and programs which are
17 conducted in distressed neighborhoods approved by the commissioner
18 before and shall serve as a resource center for the dissemination of
19 such information upon request.

20 (d) The commissioner shall adopt regulations, in accordance with
21 the provisions of chapter 54 of the general statutes, setting forth
22 criteria and standards for designation of distressed neighborhoods.
23 Such regulations shall include provisions requiring that
24 neighborhoods have (1) areas of concentrated rehabilitation to qualify
25 for designation, or (2) community development and that such
26 designation be periodically reviewed.

27 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
28 section 12-701 of the general statutes is repealed and the following is
29 substituted in lieu thereof (*Effective July 1, 2002, and applicable to income*
30 *years commencing on or after January 1, 2002*):

31 (B) There shall be subtracted therefrom (i) to the extent properly
32 includable in gross income for federal income tax purposes, any
33 income with respect to which taxation by any state is prohibited by
34 federal law, (ii) to the extent allowable under section 12-718, exempt
35 dividends paid by a regulated investment company, (iii) the amount of
36 any refund or credit for overpayment of income taxes imposed by this
37 state, or any other state of the United States or a political subdivision
38 thereof, or the District of Columbia, to the extent properly includable
39 in gross income for federal income tax purposes, (iv) to the extent
40 properly includable in gross income for federal income tax purposes,
41 any tier 1 railroad retirement benefits, (v) with respect to any natural
42 person who is a shareholder of an S corporation which is carrying on,
43 or which has the right to carry on, business in this state, as said term is
44 used in section 12-214, the amount of such shareholder's pro rata share
45 of such corporation's nonseparately computed items, as defined in
46 Section 1366 of the Internal Revenue Code, that is subject to tax under
47 chapter 208, in accordance with subsection (c) of section 12-217,

48 multiplied by such corporation's apportionment fraction, if any, as
49 determined in accordance with section 12-218, (vi) to the extent
50 properly includable in gross income for federal income tax purposes,
51 any interest income from obligations issued by or on behalf of the state
52 of Connecticut, any political subdivision thereof, or public
53 instrumentality, state or local authority, district or similar public entity
54 created under the laws of the state of Connecticut, (vii) to the extent
55 properly includable in determining the net gain or loss from the sale or
56 other disposition of capital assets for federal income tax purposes, any
57 gain from the sale or exchange of obligations issued by or on behalf of
58 the state of Connecticut, any political subdivision thereof, or public
59 instrumentality, state or local authority, district or similar public entity
60 created under the laws of the state of Connecticut, in the income year
61 such gain was recognized, (viii) any interest on indebtedness incurred
62 or continued to purchase or carry obligations or securities the interest
63 on which is subject to tax under this chapter but exempt from federal
64 income tax, to the extent that such interest on indebtedness is not
65 deductible in determining federal adjusted gross income and is
66 attributable to a trade or business carried on by such individual, (ix)
67 ordinary and necessary expenses paid or incurred during the taxable
68 year for the production or collection of income which is subject to
69 taxation under this chapter but exempt from federal income tax, or the
70 management, conservation or maintenance of property held for the
71 production of such income, and the amortizable bond premium for the
72 taxable year on any bond the interest on which is subject to tax under
73 this chapter but exempt from federal income tax, to the extent that
74 such expenses and premiums are not deductible in determining federal
75 adjusted gross income and are attributable to a trade or business
76 carried on by such individual, (x) (I) for a person who files a return
77 under the federal income tax as an unmarried individual whose
78 federal adjusted gross income for such taxable year is less than fifty
79 thousand dollars, or as a married individual filing separately whose
80 federal adjusted gross income for such taxable year is less than fifty
81 thousand dollars, or for a husband and wife who file a return under

82 the federal income tax as married individuals filing jointly whose
83 federal adjusted gross income for such taxable year is less than sixty
84 thousand dollars or a person who files a return under the federal
85 income tax as a head of household whose federal adjusted gross
86 income for such taxable year is less than sixty thousand dollars, an
87 amount equal to the Social Security benefits includable for federal
88 income tax purposes; and (II) for a person who files a return under the
89 federal income tax as an unmarried individual whose federal adjusted
90 gross income for such taxable year is fifty thousand dollars or more, or
91 as a married individual filing separately whose federal adjusted gross
92 income for such taxable year is fifty thousand dollars or more, or for a
93 husband and wife who file a return under the federal income tax as
94 married individuals filing jointly whose federal adjusted gross income
95 from such taxable year is sixty thousand dollars or more or for a
96 person who files a return under the federal income tax as a head of
97 household whose federal adjusted gross income for such taxable year
98 is sixty thousand dollars or more, an amount equal to the difference
99 between the amount of Social Security benefits includable for federal
100 income tax purposes and the lesser of twenty-five per cent of the Social
101 Security benefits received during the taxable year, or twenty-five per
102 cent of the excess described in Section 86(b)(1) of the Internal Revenue
103 Code, (xi) to the extent properly includable in gross income for federal
104 income tax purposes, any amount rebated to a taxpayer pursuant to
105 section 12-746, (xii) to the extent properly includable in the gross
106 income for federal income tax purposes of a designated beneficiary,
107 any distribution to such beneficiary from any qualified state tuition
108 program, as defined in Section 529(b) of the Internal Revenue Code,
109 established and maintained by this state or any official, agency or
110 instrumentality of the state, (xiii) to the extent properly includable in
111 gross income for federal income tax purposes, the amount of any
112 Holocaust victims' settlement payment received in the taxable year by
113 a Holocaust victim, [and] (xiv) to the extent properly includable in
114 gross income for federal income tax purposes of an account holder, as
115 defined in section 31-51ww, interest earned on funds deposited in the

116 individual development account, as defined in section 31-51ww, of
117 such account holder, and (xv) to the extent properly includable in
118 gross income for federal income tax purposes, any income earned in a
119 neighborhood designated as a distressed neighborhood by the
120 Commissioner of Economic and Community Development under the
121 provisions of section 1 of this act.

122 Sec. 3. (NEW) (*Effective July 1, 2002, and applicable to income years*
123 *commencing on or after January 1, 2002*) (a) As used in this section:

124 (1) "Business firm" means any business entity authorized to do
125 business in this state and subject to the corporation business tax
126 imposed under chapter 208 of the general statutes;

127 (2) "Qualifying employee" means during fiscal year 2002 or with
128 respect to the business firm's income year commencing in 2002 or
129 thereafter, any employee who is employed not less than thirty hours
130 per week by the same business firm and who is a resident of a
131 neighborhood designated as a distressed neighborhood by the
132 Commissioner of Economic and Community Development under the
133 provisions of section 1 of this act.

134 (b) There shall be allowed a credit for any business firm against the
135 tax imposed under chapter 208 of the general statutes equal to one
136 hundred twenty-five dollars for each full month that a qualifying
137 employee is employed by such firm. Any business firm which desires
138 to hire a qualifying employee in any income year commencing on or
139 after January 1, 2002, may apply to the Commissioner of Economic and
140 Community Development for certification of such credit. The
141 application for a tax credit under this subsection shall set forth
142 information that said commissioner deems necessary in regulations
143 adopted in accordance with chapter 54 of the general statutes.

144 (c) Applications shall be submitted annually, before such
145 expenditures are made, to the Commissioner of Economic and
146 Community Development on or after July first but not later than

147 December thirty-first. The commissioner shall approve or disapprove
148 each application within sixty days of its submission to the
149 commissioner based on the compliance of such application with the
150 provisions of this section. Any business firm receiving such an
151 allocation shall, within thirty days of the end of its income year, submit
152 a report on the number of full months that qualifying employees were
153 employed by such firm during such year.

154 (d) The credit shall be claimed on the tax return for the income year
155 during which qualifying employees were employed for full months by
156 the business firm. Any tax credit not used in the period during which
157 the expenditure was made may be carried forward for the five
158 immediately succeeding income years until the full credit has been
159 allowed.

This act shall take effect as follows:	
Section 1	<i>July 1, 2002</i>
Sec. 2	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 3	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>

Statement of Purpose:

To stabilize neighborhoods by increasing income and employment opportunities for residents.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]